

Natural Gas: Where We've Been and Where We're Going

Presentation Overview

- Introduction
- Oneok Energy Marketing and Trading Performance
- History of Natural Gas
- History of Natural Gas Prices (Continuous and 12-Month Strip)
- Regional Supply/Demand Balances
- Key Inputs Affecting Price (Winter 2000 Example)
- Where Do We Go From Here

Introduction

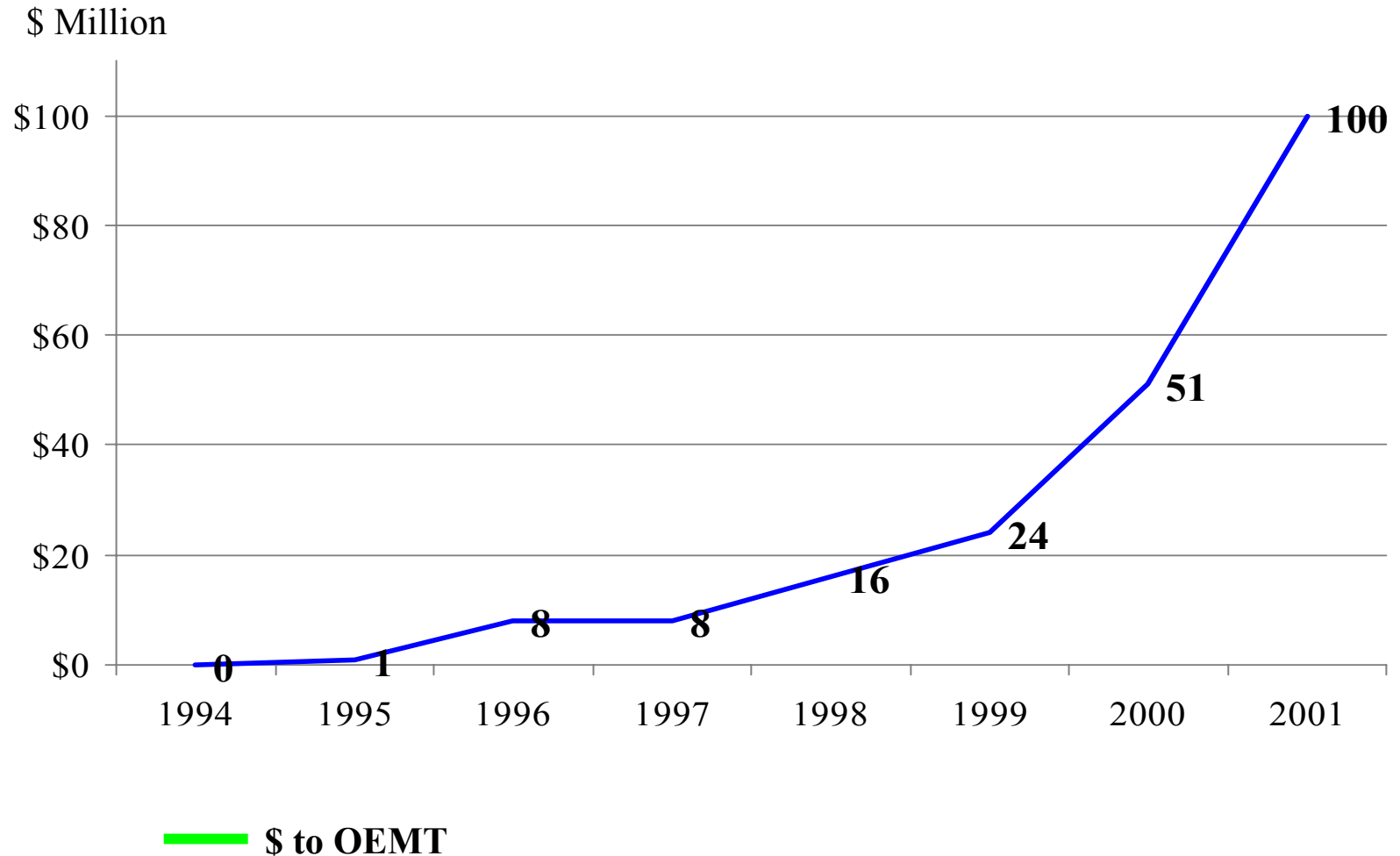
William S. “Billy” Maxwell
Vice President, Financial Trading
Oneok, Inc.

19 years in the natural gas business
13 with NorAm Energy Corp. (formerly Arkla, Inc.)
6 ½ with Oneok

Responsible for all financial trading commodity with Oneok, includes natural gas, power, crude oil and natural gas liquids. Instrumental in the growth of the unregulated trading business.

Oneok Energy Marketing and Trading

Operating Income Impact



History of Natural Gas

1938 – National Gas Act (NGA) created the Federal Power Commission (FPC) to regulate natural gas pipelines

1954 – Supreme Court determined the NGA should encompass regulation of pipeline AND wellhead prices (known as “Philip’s Decision”)

1978 – Federal Energy Regulatory Commission (FERC) created out of old FPC and directed to reform natural gas pricing

1985 – FERC Order 436 established; required pipelines to provide open access to transportation services, allowing consumers to negotiate prices directly with producers

1987 – FERC Order 500 implemented; addressed shared contract costs of Take or Pay contracts

History of Natural Gas (continued)

1989 – Natural Gas Wellhead Decontrol Act completes the process of deregulating wellhead prices, requiring removal of all price controls on wellhead sales as of Jan 1, 1993

1990 – New York Mercantile Exchange (Nymex) begins trading Natural Gas Contract

1991 – Mega-Notice of Proposed Rulemaking with FERC requesting comments about new ways of structuring gas transportation

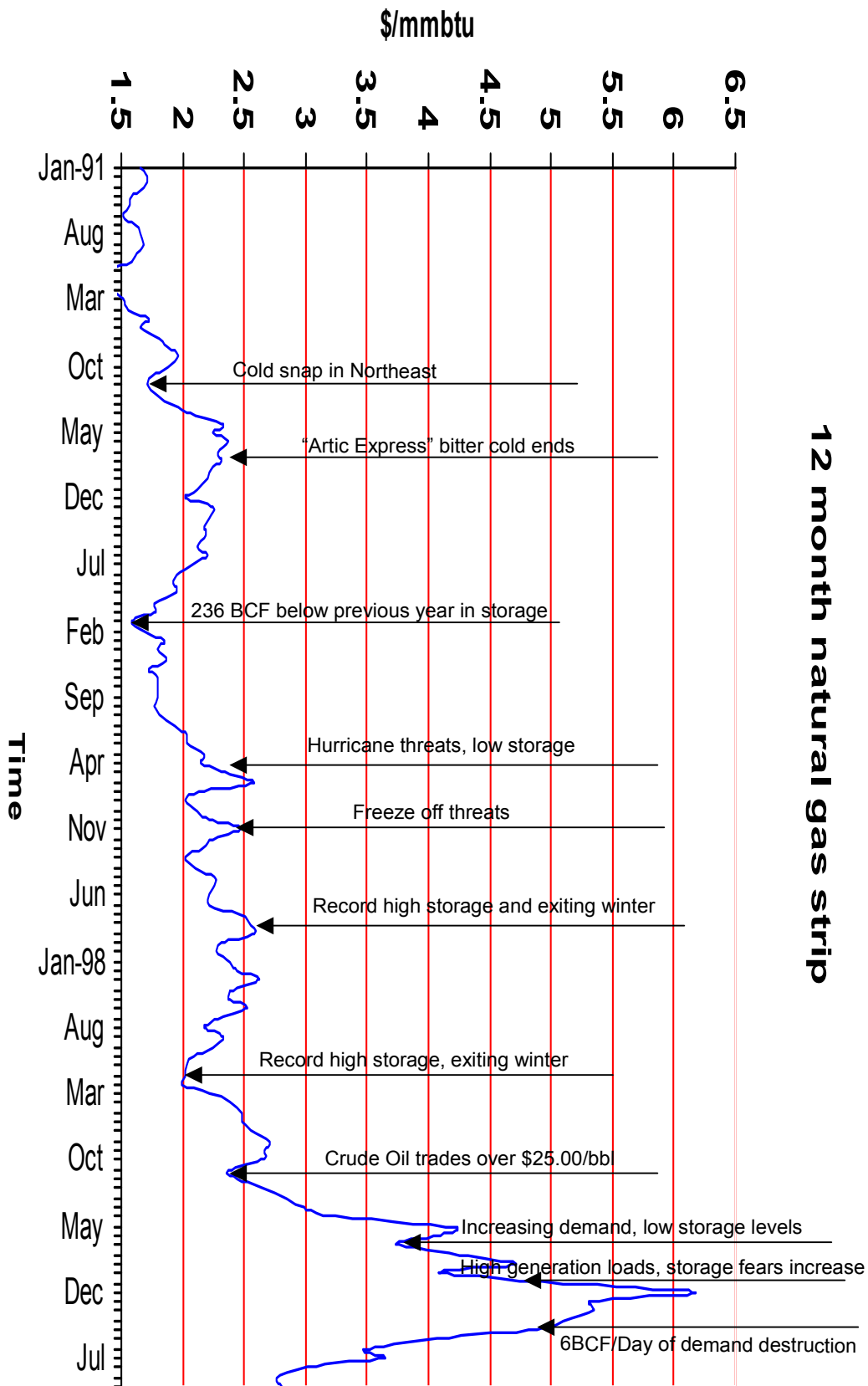
1992 – FERC Order 636 included provision to separate sales from transportation services (unbundling) whereby customers have ability to select supply and transportation services

2000 – FERC Order 637 refined remaining pipeline regulations addressing inefficiencies in capacity release market

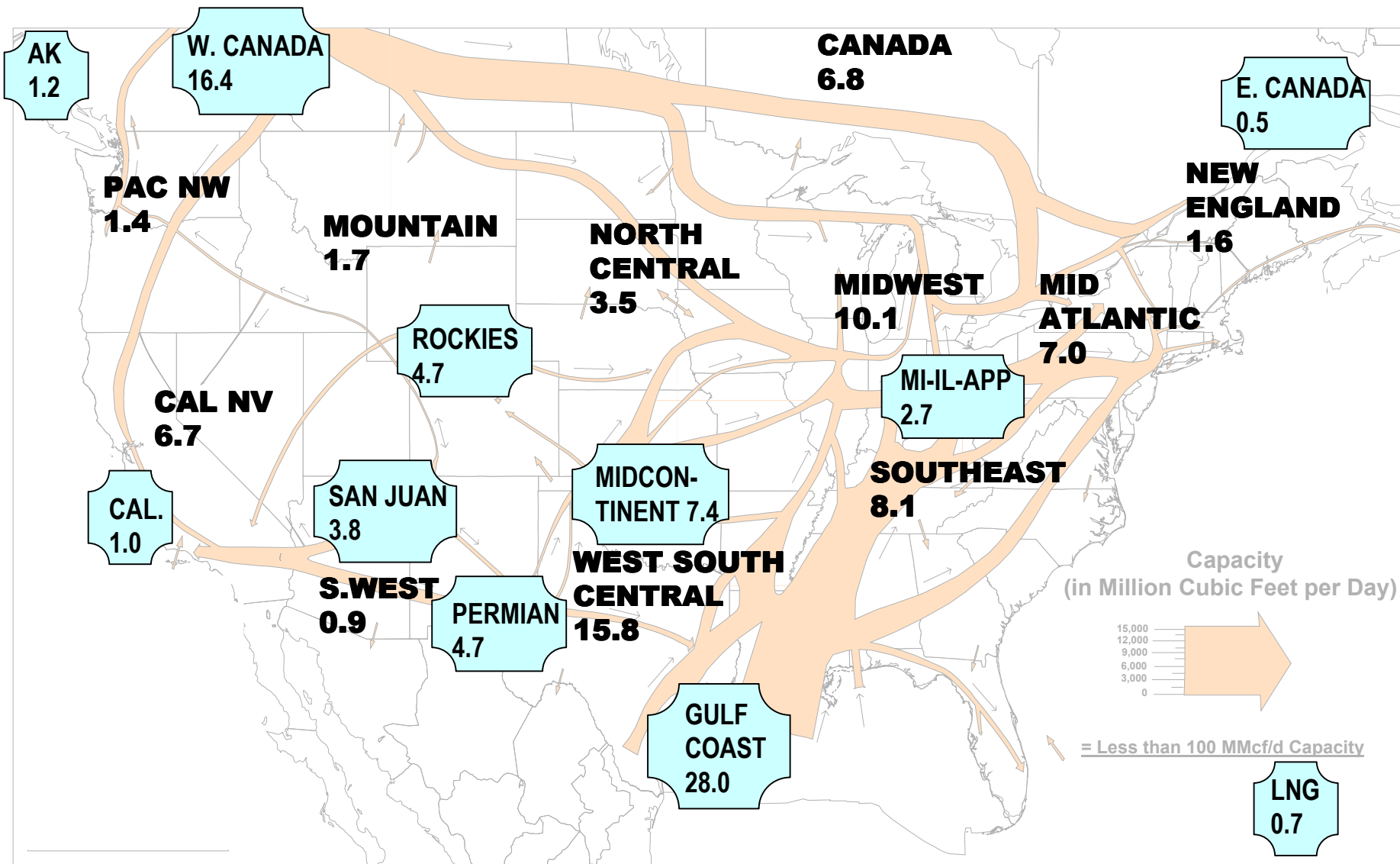
History of Natural Gas Prices – Continuous Chart



History of Natural Gas Prices – 12 Month Strip



Regional Natural Gas Supply/Demand Balances

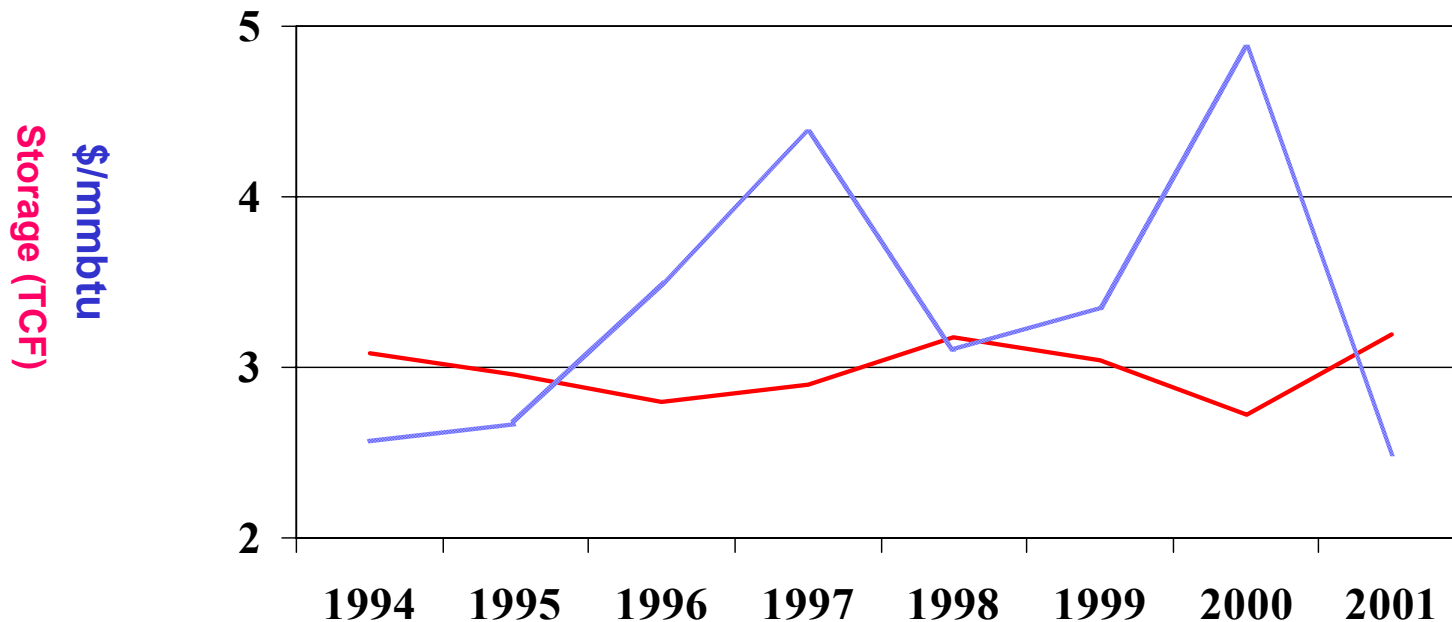


Key Inputs Affecting Price (Winter 2000 Example)

- Supply/Demand
- Storage Inventories
- Weather
- Technical

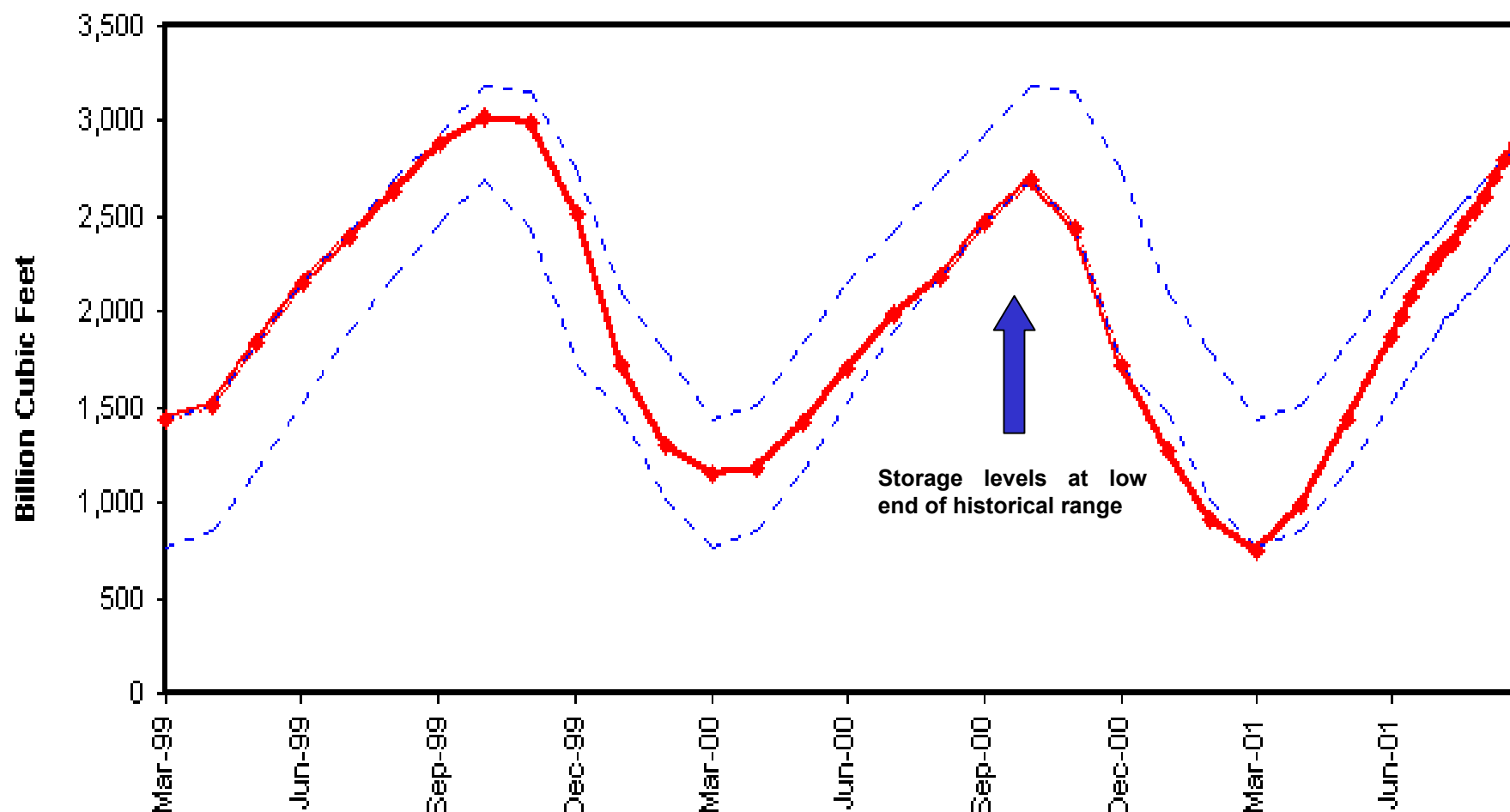
Storage Levels (November 1) vs. Nymex Price

Year	Storage (BCF)	Nymex Price (\$/mmbtu)
1994	3088	2.57
1996	2958	2.67
1996	2819	3.50
1997	2906	4.38
1998	3185	3.11
1999	3041	3.35
2000	2752	4.87
2001	3191	2.40



Storage Inventories vs. Five Year Historical Range

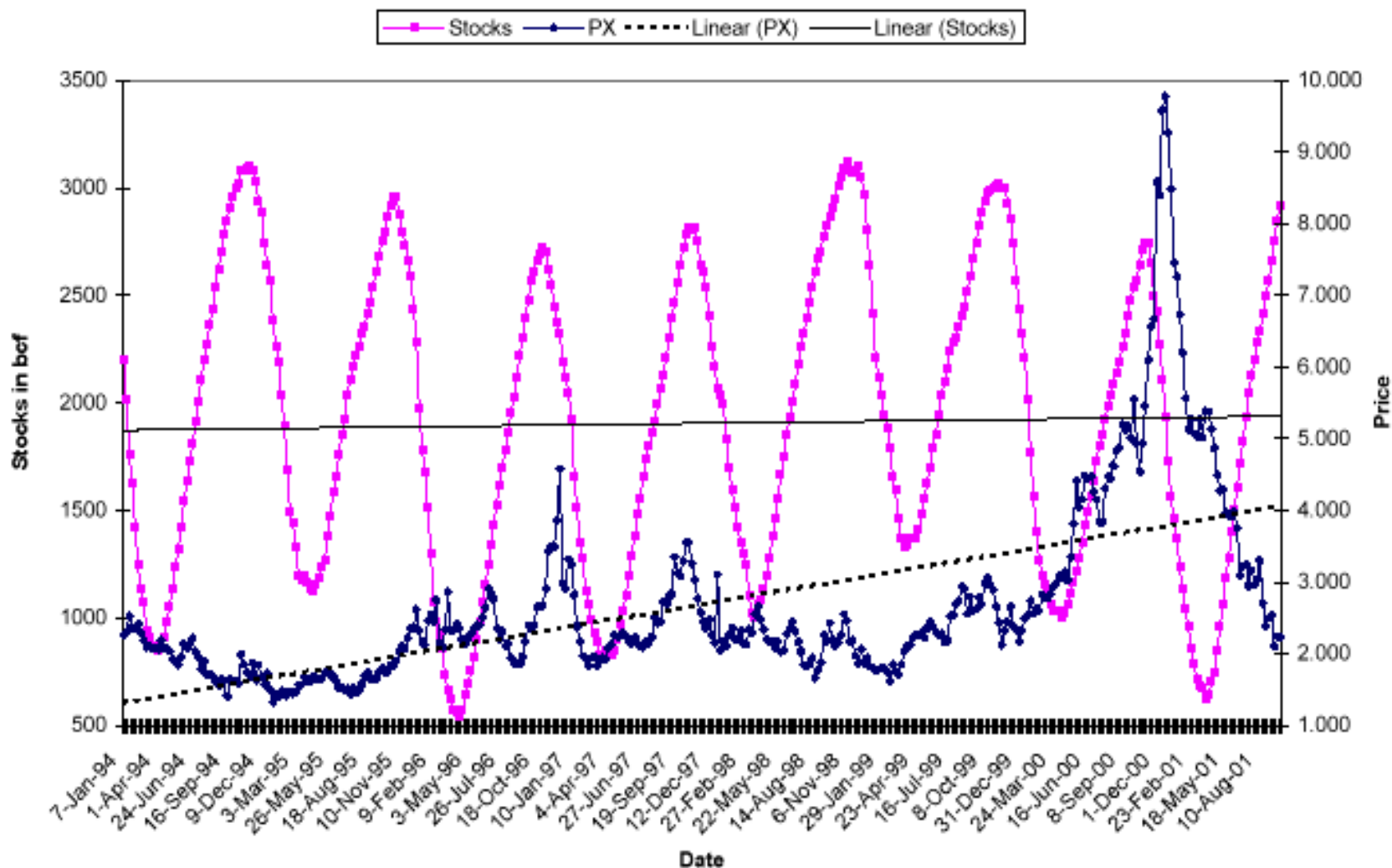
Working Gas in Underground Storage at End of Period



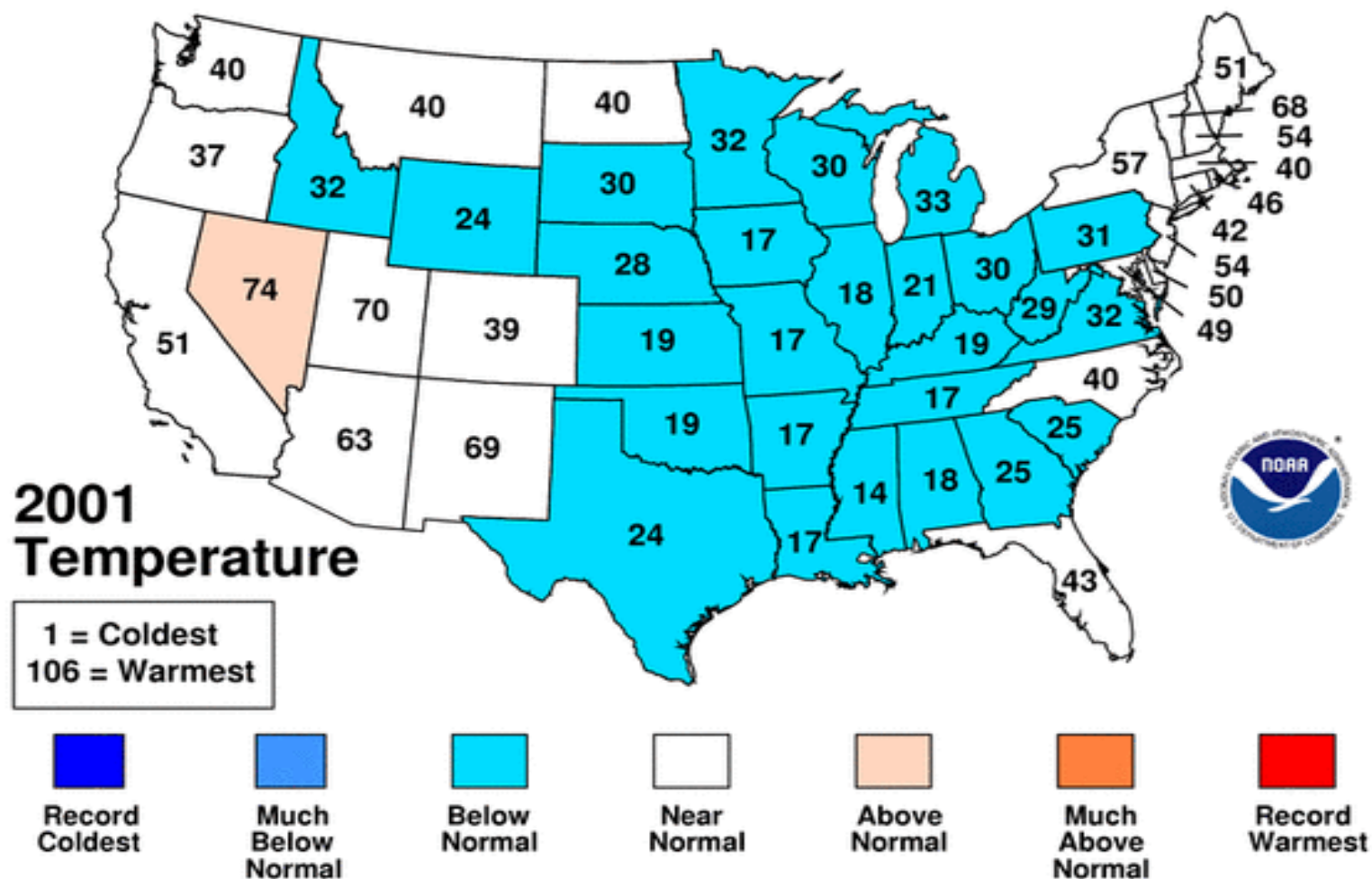
Note: The dashed lines indicate the historical range for the period 1995-2000. The solid line with diamond symbols represents end-of-month or end-of-week storage volumes. Monthly storage volumes are data from the EIA-191 data survey. The most recent storage volumes are weekly estimates derived by EIA from the final data observation in the EIA-191 series and weekly net changes to working gas in storage from the American Gas Association.

Nat Gas Stocks vs. Price/Time

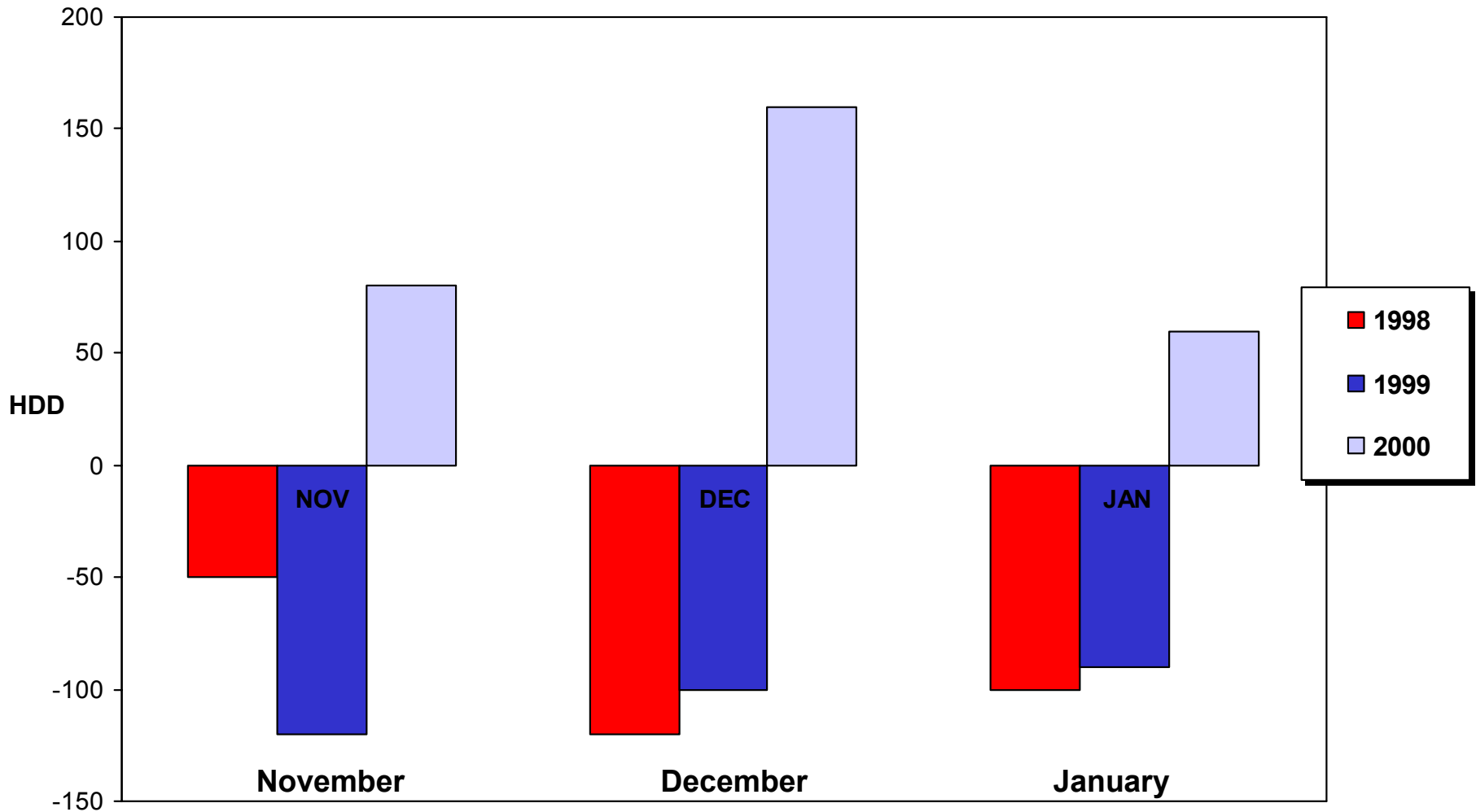
Nat Gas Stocks vs Price over Time
as of 10/5/01 Price 2.227 & Stocks 2,914 bcf



December 2000/Feb 2001 Statewide Temp Ranking



2000 vs. 1998 – 1999 HDD Departures



Technical Signals of Winter 2000 Price Move

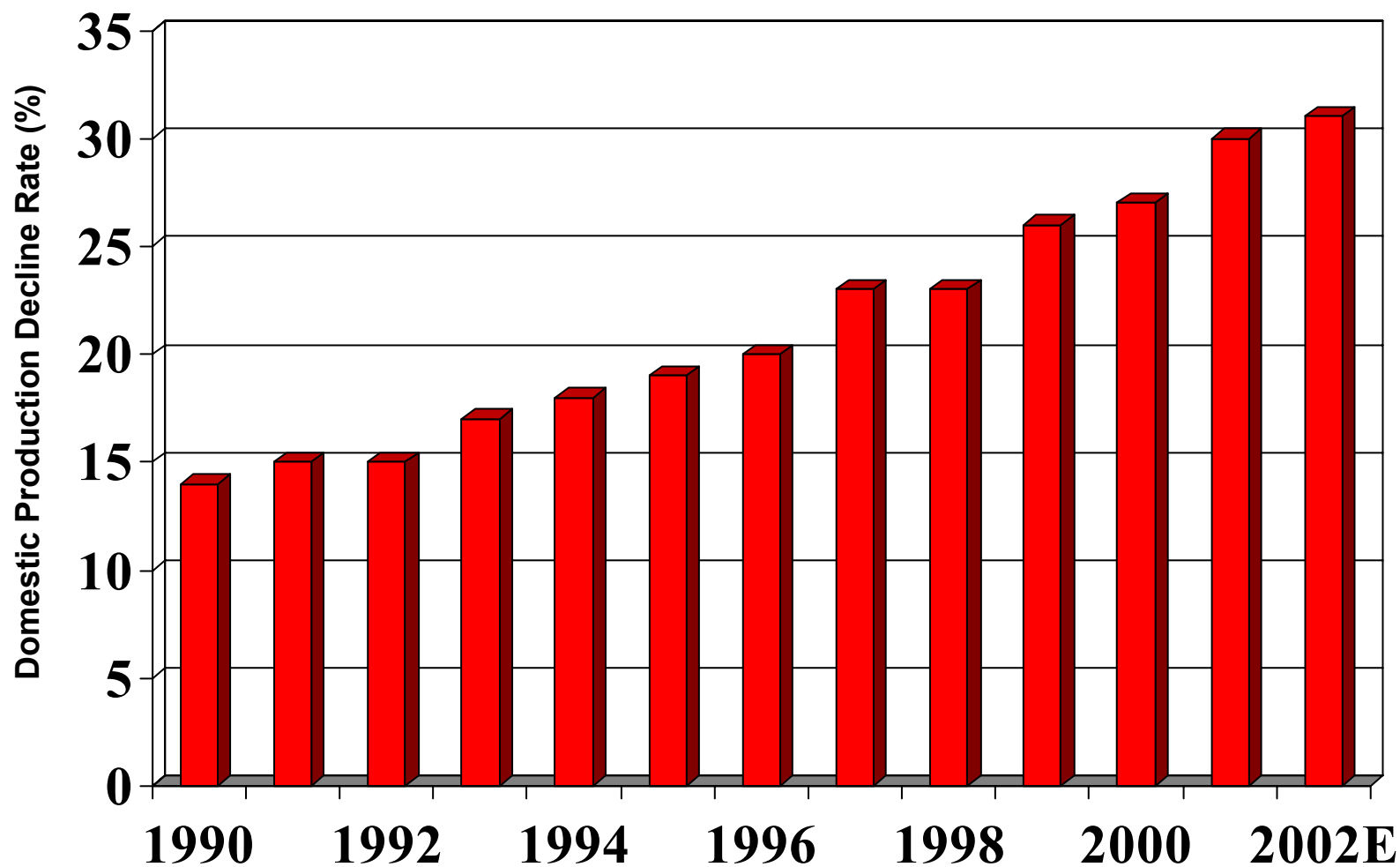


Example of Technical Market Moves



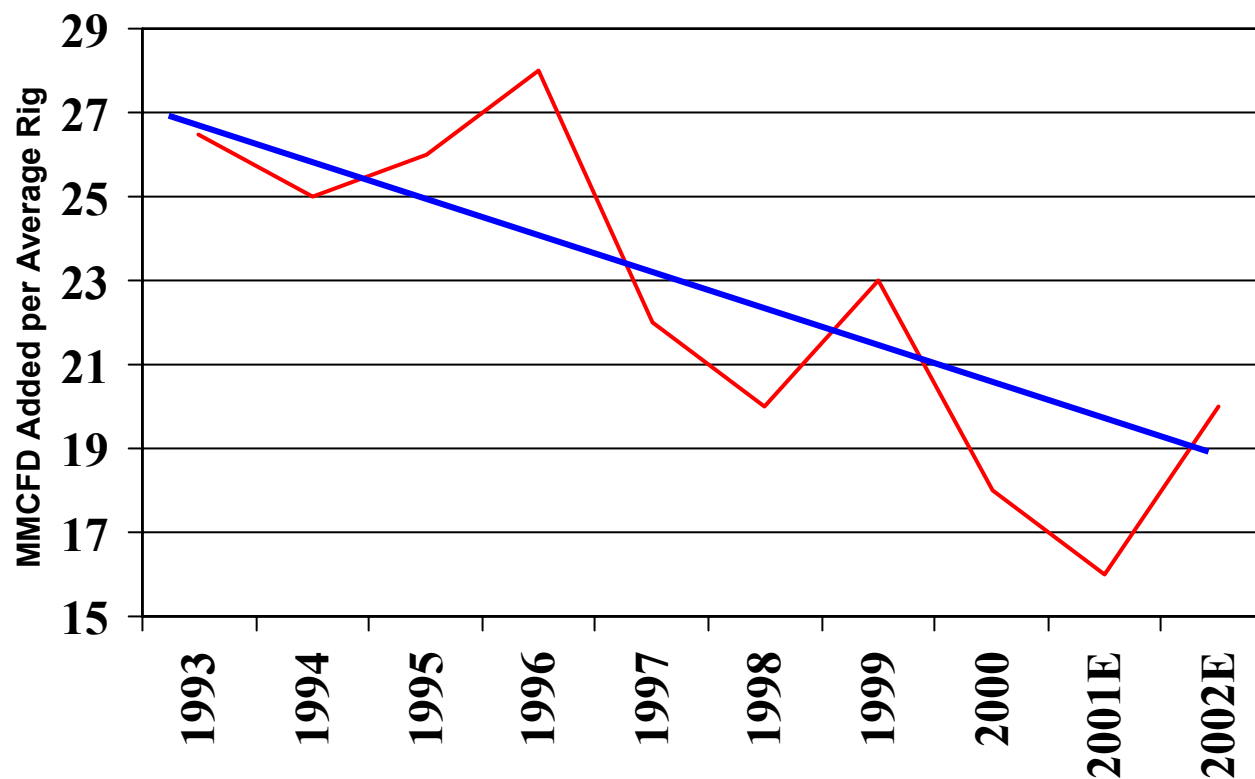
Where Do We Go From Here?

U.S. Aggregate Natural Gas Production Decline Rate

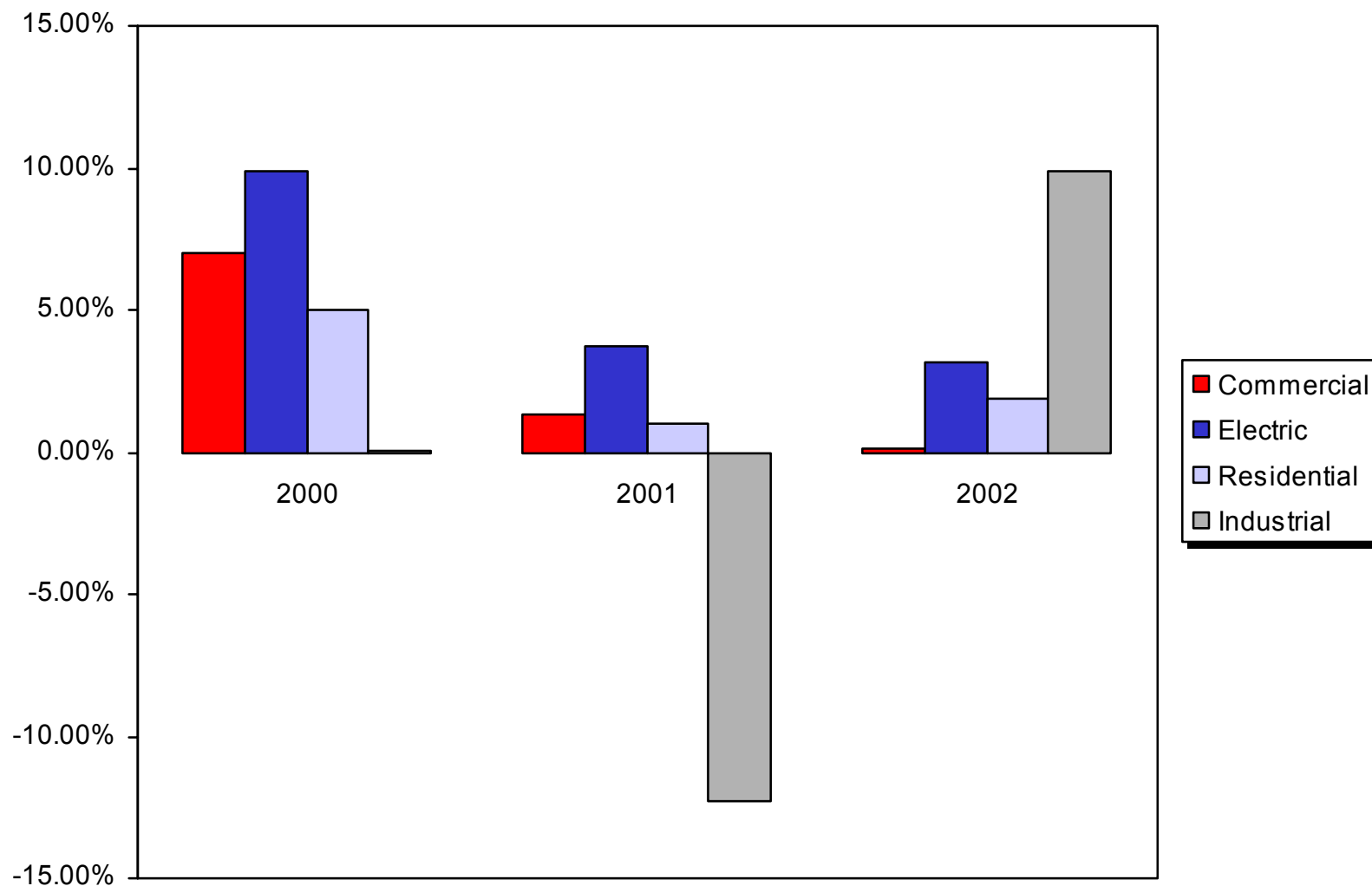


Sources: Salomon Smith Barney: Exploration and Production: Industry Note, September 27, 2001

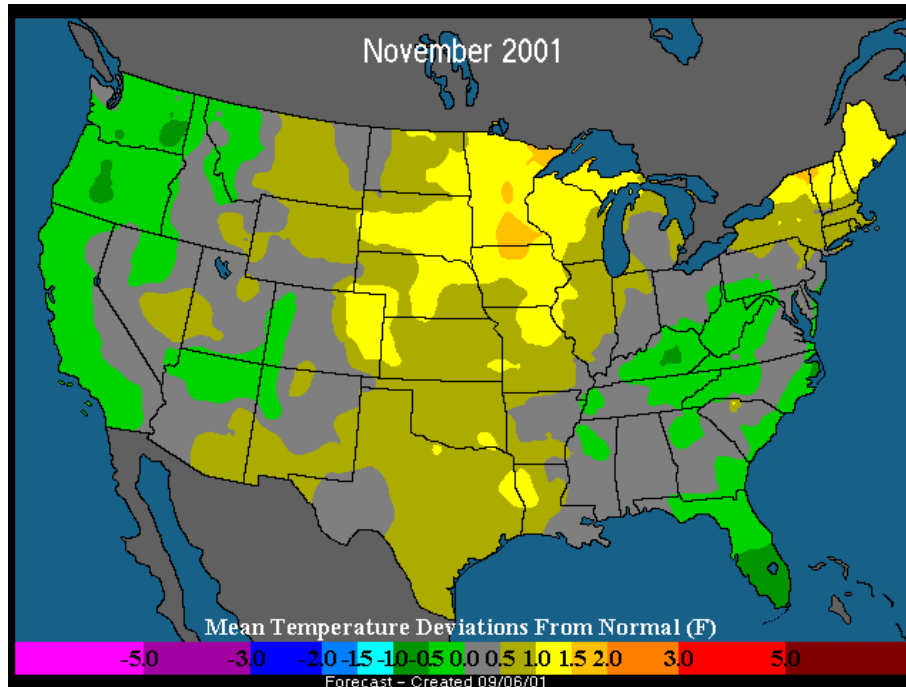
U.S. Ave. Gas Production added per active rig per year



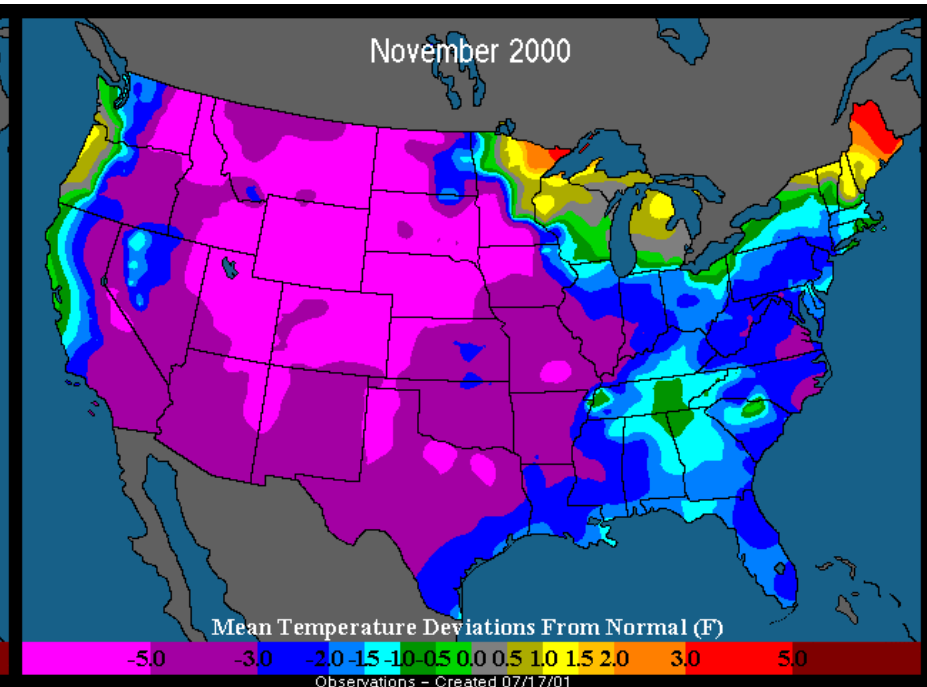
Projected Yearly Natural Gas Growth



November 2001 vs. November 2000

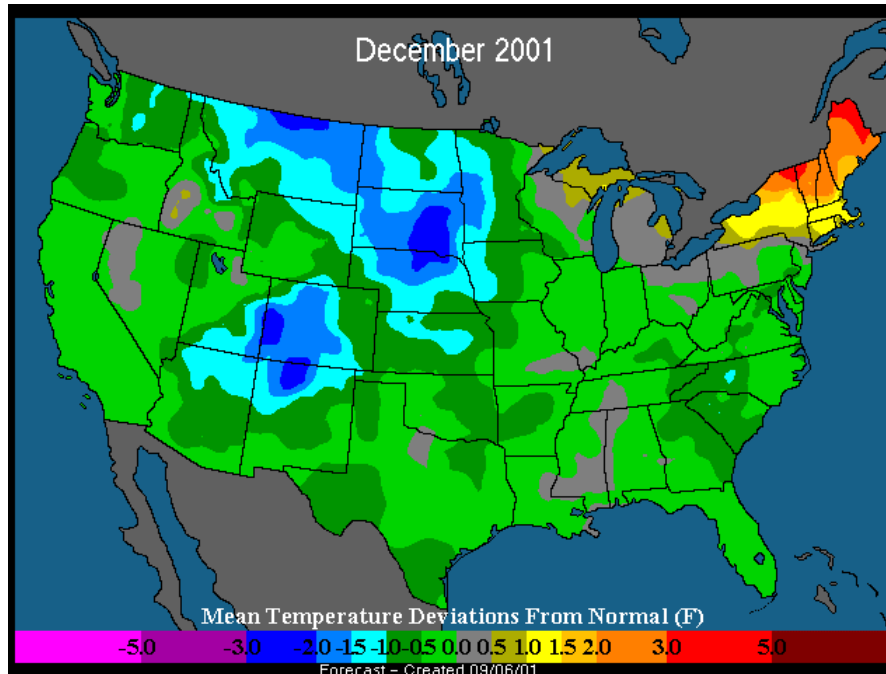


FORECAST

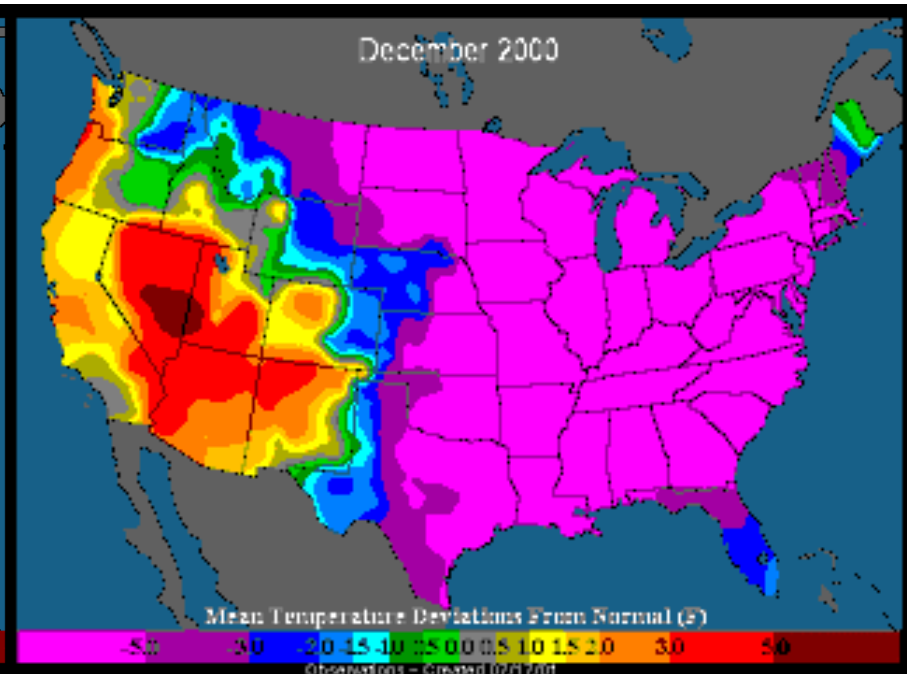


LAST YEAR

December 2001 vs. December 2000

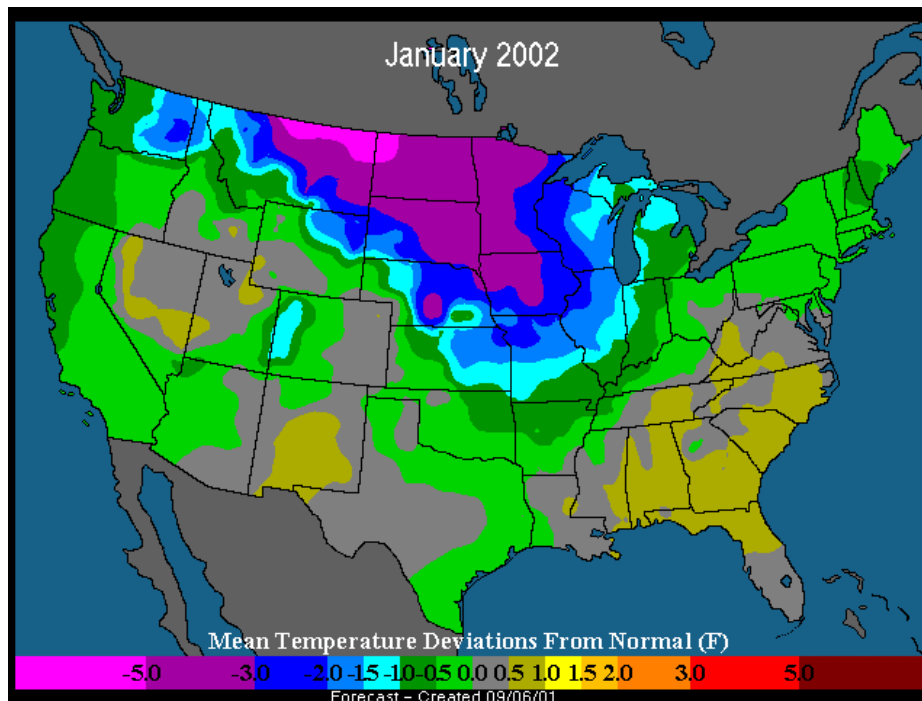


FORECAST

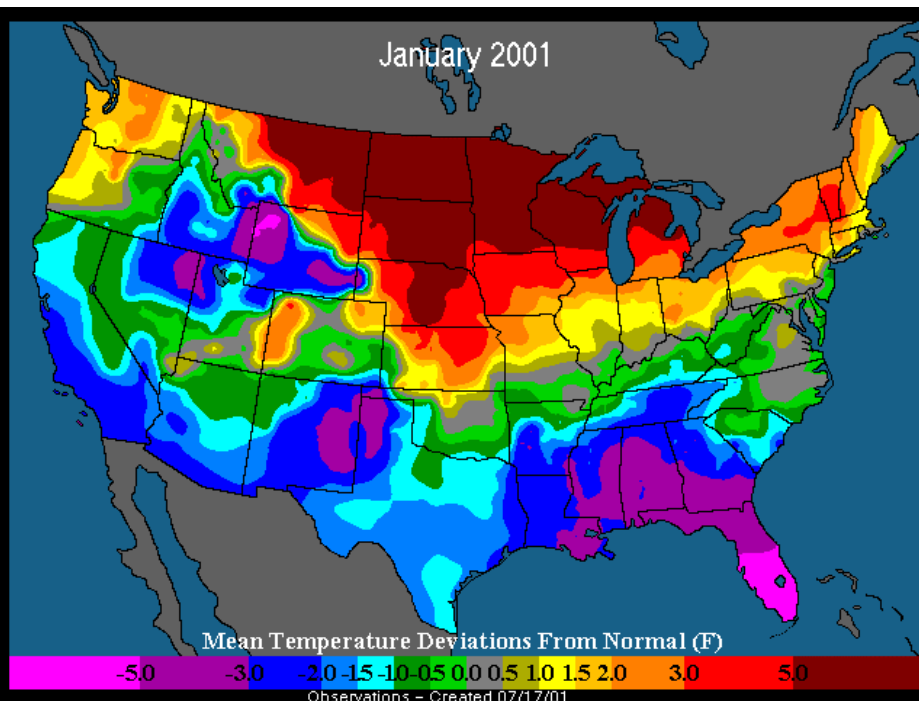


LAST YEAR

January 2002 vs. January 2001

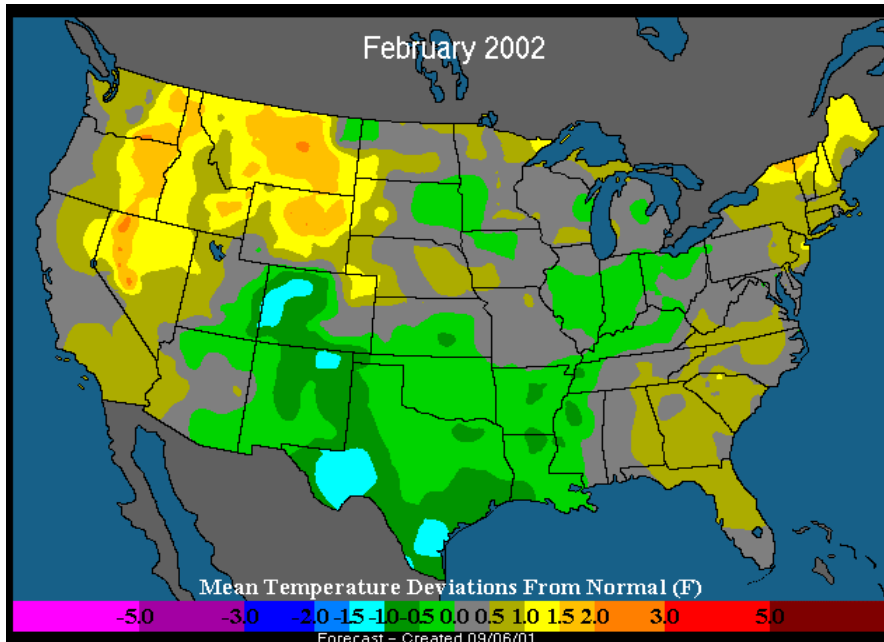


FORECAST

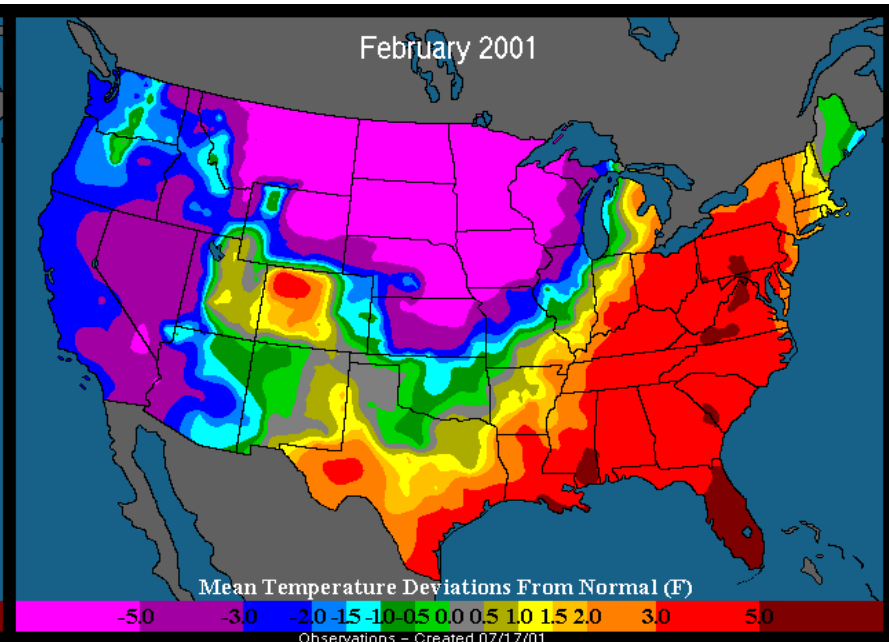


LAST YEAR

February 2002 vs. February 2001

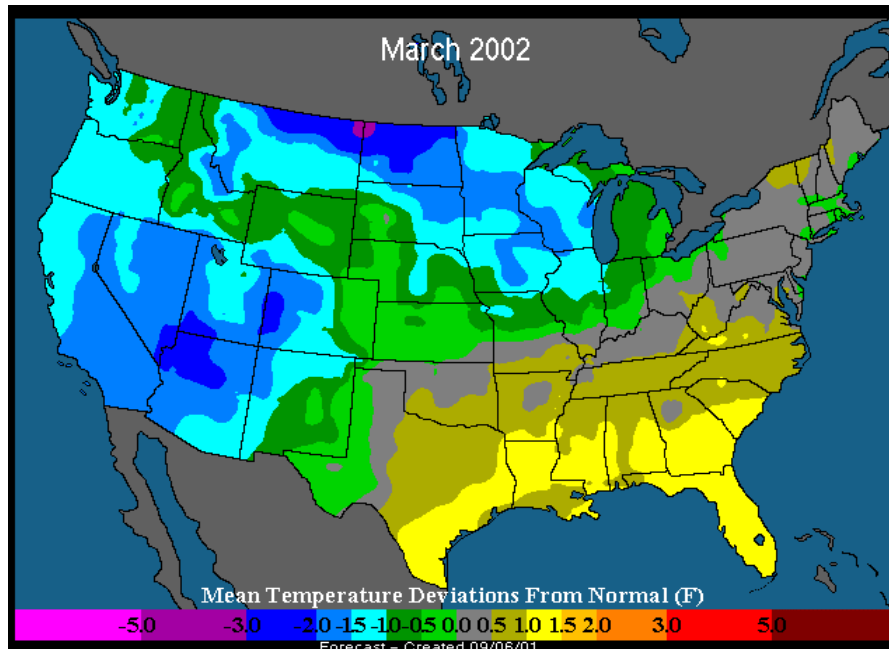


FORECAST

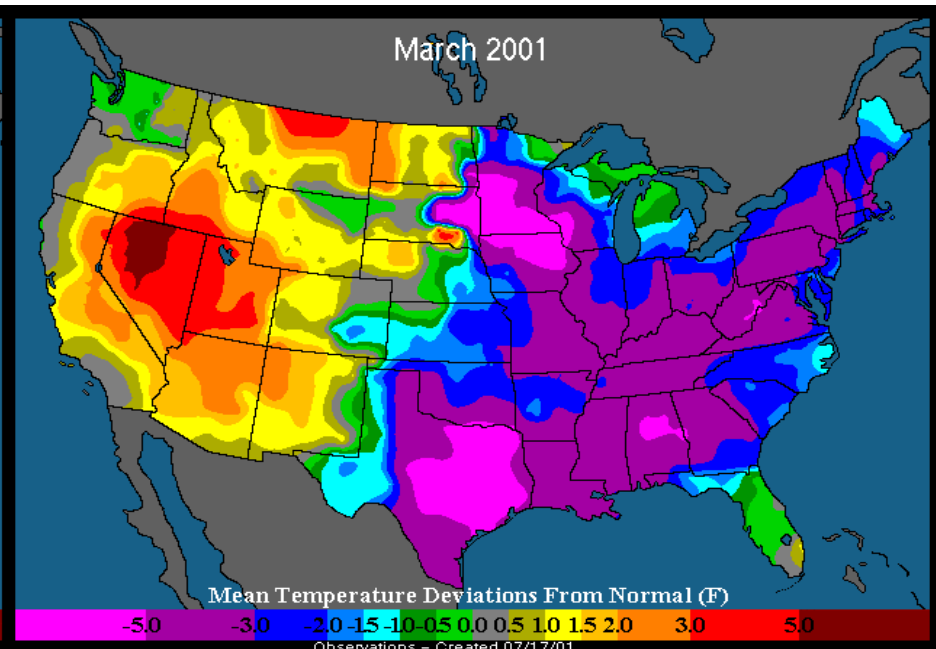


LAST YEAR

March 2002 vs. March 2001



FORECAST



LAST YEAR

Technical Perspective of Market

%NG1- - Natural Gas

10/1/2001

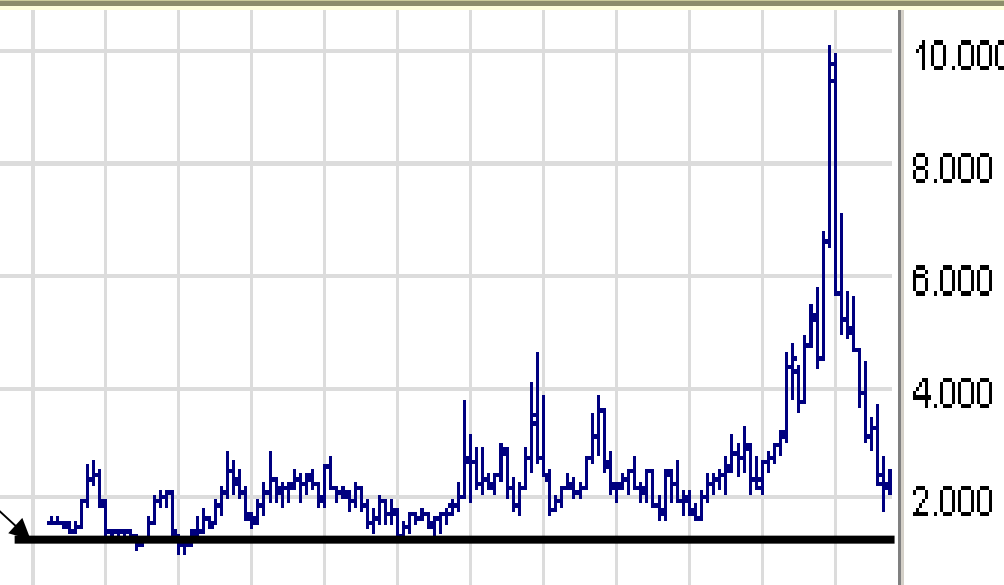
LAST: 2.227

CHANGE: ▼ 0.187

HIGH: 2.450

LOW: 2.225

Solid baseline support at \$1.60 to \$2.00



RSI (%NG1-,14) = 41.71

Long-term momentum at historic low level

